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## APPENDIX II

[Vide answer to Starred Question No. 331-A on page 22.]

A.—(a) to (c) : A copy of G.O. Ms. No. 3316, Public Works, dated 12th December 1960, containing a gist of the recommendations of the Committee and the orders of the Government thereon is given below :—

*Copy of G.O. Ms. No. 3316, Public Works, dated  
12th December 1960.*

[SUBJECT.—Rural electrification—Special guarantee—Grant of subsidy—Special Committee constituted by Government to examine question—Recommendations—Orders issued.]

READ—the following papers :—

G.O. Ms. No. 1406, Public Works, dated 4th May 1959.

Letter from the Convenor, Committee for the Grant of Special Subsidy for Rural Electrification, dated 26th December 1959, No. 3618, P.W.

Letter from the Madras State Electricity Board, dated 26th April 1960, No. 2117 B/59-4.

*Order—No. 3316, Public Works, dated 12th December 1960.*

Schemes for the extension of electricity supply to rural areas are normally carried out only when they are remunerative (i.e.) expected to yield a minimum return of 10 per cent per annum on the capital outlay for a period of ten years. However, as it is very difficult to evolve self-remunerative schemes fetching the prescribed return, Special Guarantee Schemes have been evolved under which the beneficiaries should guarantee the payment for a period of ten years, the yearly payment of a minimum total charge equivalent to 10 per cent on the capital outlay irrespective of the current consumed by them. This minimum annual charge is known as the special minimum guarantee. In such cases the consumers will have to pay annually for a total period of ten years, the actual current consumption charges or the amount of special guarantee, whichever is higher.

2. In view of representations that have been received from agriculturists that it is very difficult for them to meet the demands of special guarantee and that this system has to some extent retarded the progress of extension of Electricity Supply for agricultural operations in backward and interior areas of the State, the Government, as the out-come of a conference convened by Minister (Electricity), constituted in May 1959, a Committee consisting of—

Secretary, Public Works department;

Secretary, Food and Agriculture department;

Secretary, Finance Department;

Secretary, Board of Revenue; and

Chief Engineer, Madras State Electricity Board.

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to go into the question of what further rural electrification could be taken up each year without prejudice to the needs of industrial expansion and whether any subsidy should be given for reducing the special guarantee amount to the normal paying capacity of the agriculturists.

(3) The Committee submitted its report in December 1959, and it has been examined in consultation, with the Madras State Electricity Board. The specific terms of reference to the Committee, its recommendations and the remarks of the Madras State Electricity Board thereon are as detailed below :—

(i) What further rural electrification can be taken each year without prejudice to the needs of industrial expansion ;

(ii) What should be the allocation between industrial and agricultural needs.

The Committee considered it unnecessary to fix any allocation between agricultural and industrial loads and that the two categories of loads might be allowed to develop side by side as hitherto by augmenting the power supply.

The Electricity Board has agreed with the views of the Committee.

(iii) Whether the subsidy should be only in respect of un-developed or backward areas;

What should be the criteria for localising backward areas; and the basis of subsidy in well developed areas.

The Committee was of the view that as it is not quite easy to draw a clear line between backward and forward areas, the list of areas drawn up by it, and detailed in the Appendix to these Proceedings, specifying particular taluks as backward areas will therefore have to serve as a basis for setting the priority between one area as compared with another in the matter of rural electrification and recommended a differential reduction in minimum guarantee from Rs. 50 to Rs. 45 in forward areas and to Rs. 35 in backward areas.

The Electricity Board has agreed with the views of the Committee.

(iv) What should be the basis of subsidy to the Electricity Board.

The Committee recommended that if after taking into account the revenue both from rural and non-rural loads there is a loss on revenue account, then there is a case for a subsidy to the Board and that the subvention might be limited to the extent of such loss in the revenue account of the Board or to the extent of reduction in revenue attributable to the reduction of minimum guarantee as recommended by the Committee, whichever is less.

The Board has accepted the recommendation of the Committee subject to the condition that it should not form a precedent for other cases in which a loss might arise due to any directive

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issued by the Government under the Electricity Supply Act. The Board has observed that the present agreement is only a gesture to render all possible assistance to the Government in their drive for agricultural development.

4. Besides the above specific recommendations of the Committee on which the Electricity Board has offered its remarks, the Electricity Board has also raised the following points :—

(i) *Minimum percentage return on Capital Outlay*—

Schemes for the extension of electricity to rural areas are normally carried out only if they are remunerative. In 1946 the rate of return was fixed at 10 per cent for rural extension schemes in both hydro-electric and thermal areas. The Committee considered that the rate of 10 per cent on the total outlay is too low and that the return should be 18.2 per cent of the capital outlay at the present rates of cost. It however left it to the Board to take a decision regarding the revision of the percentage return in consultation with its Chief Engineer after taking into account the experience in a few typical villages in both backward and forward areas. The Board has however pointed out that it was not necessary to make any change in regard to the manner in which financial justifications are being worked out now for rural electrification schemes until a more scientific method is worked out and introduced. It is of the view that the existing percentage might be continued for another three years, when the position may be reviewed with the help of actual figures which would then have been collected by the Board's statistical organisation.

(ii) *Future concessions extended by the Government of India for rural electrification*—

Incidentally the Board has also pointed out that if at any time the Government of India allow any concession in respect of rural electrification, the State Government might pass on to the Board the benefit of such concessions without any condition.

5. The Government accept the recommendations of the Committee detailed in paragraph 3 above which have been accepted by the Electricity Board and consider that the reduction in special guarantee should be given effect to from the 1st April 1960. The Government also concur with the views of the Electricity Board detailed in paragraph 4 above. They accordingly direct—

(i) that with effect from the 1st April 1960, the special minimum guarantee shall be reduced from Rs. 50 to Rs. 45 (Rupees forty five only) per H.P. in forward areas and to Rs. 35 (Rupees thirty-five only) per H.P. in backward areas, the question of determining the backward and forward areas being left to the decision of the Electricity Board which will take into account the list of backward areas drawn up by the Committee as a basis;

(ii) that if after taking into account the revenue both from rural and non-rural loads, there is a loss on the revenue account of the Electricity Board due to the reduction in the special guarantee, a subvention shall be given by the Government to

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the Electricity Board limited to the extent of loss in the revenue account of the Board or to the extent of reduction in revenue attributable to the reduction of the special guarantee to Rs. 45 in the forward areas and to Rs. 35 in the backward areas, whichever is less;

(iii) that early in each financial year the Electricity Board shall send in a claim for the subsidy payable to it for the loss incurred by it the previous year detailing the basis on which the claim is made; and

(iv) that if at any time the Government of India allow any concession in respect of rural electrification such as reduction in the rate of interest, the State Government should pass on to the Electricity Board the benefit on such concession without any condition.

(v) This order issues with the concurrence of the Finance Department—*vide* their U. O. No. 133575 EB/60-1, dated 12th December 1960.

(By order of the Governor)

E. P. ROYAPPA,  
Secretary to Government.

APPENDIX.

*Backward taluks in the State as finally decided by the Committee.*

Serial number and name of district.	Backward taluks.
1 Ramanathapuram	All taluks except Srivilliputhur
2 South Arcot	All the taluks in the district except Chidambaram and Tirukkoilur.
3 Tirunelveli	1 Nanguneri 2 Tiruchendur 3 Koilpatti 4 Sankarankoil
4 Salem	1 Hosur 2 Harur 3 Krishnagiri 4 Dharmapuri
5 Madurai	1 Dindigul 2 Palni 3 Tirumangalam
6 North Arcot	1 Chengam 2 Wandiwash

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<i>Serial number and name of district.</i>	<i>Backward Taluks.</i>
7 Tiruchirappalli . . .	All Three taluks in the Pudukottai division and Udayarpalayam
8 Coimbatore . . .	1 Palladam 2 Dharapuram
9 Thanjavur . . .	1 Arantangi 2 Mannargudi 3 Tiruthuraipundi 4 Orathanad 5 Pattukottai 6 Thanjavur (Madigai, Vallam and Sengipatti firkas)

In regard to Thanjavur taluk an exception for part of a taluk may be made on the ground that these upland firkas stand on a separate position from the rest of the firkas in this taluk.

**NOTE.**—As almost all villages in Chingleput, Kanyakumari and Nilgiris districts have been electrified, they are not considered backward for purposes of rural electrical development.

